

PERRY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2011

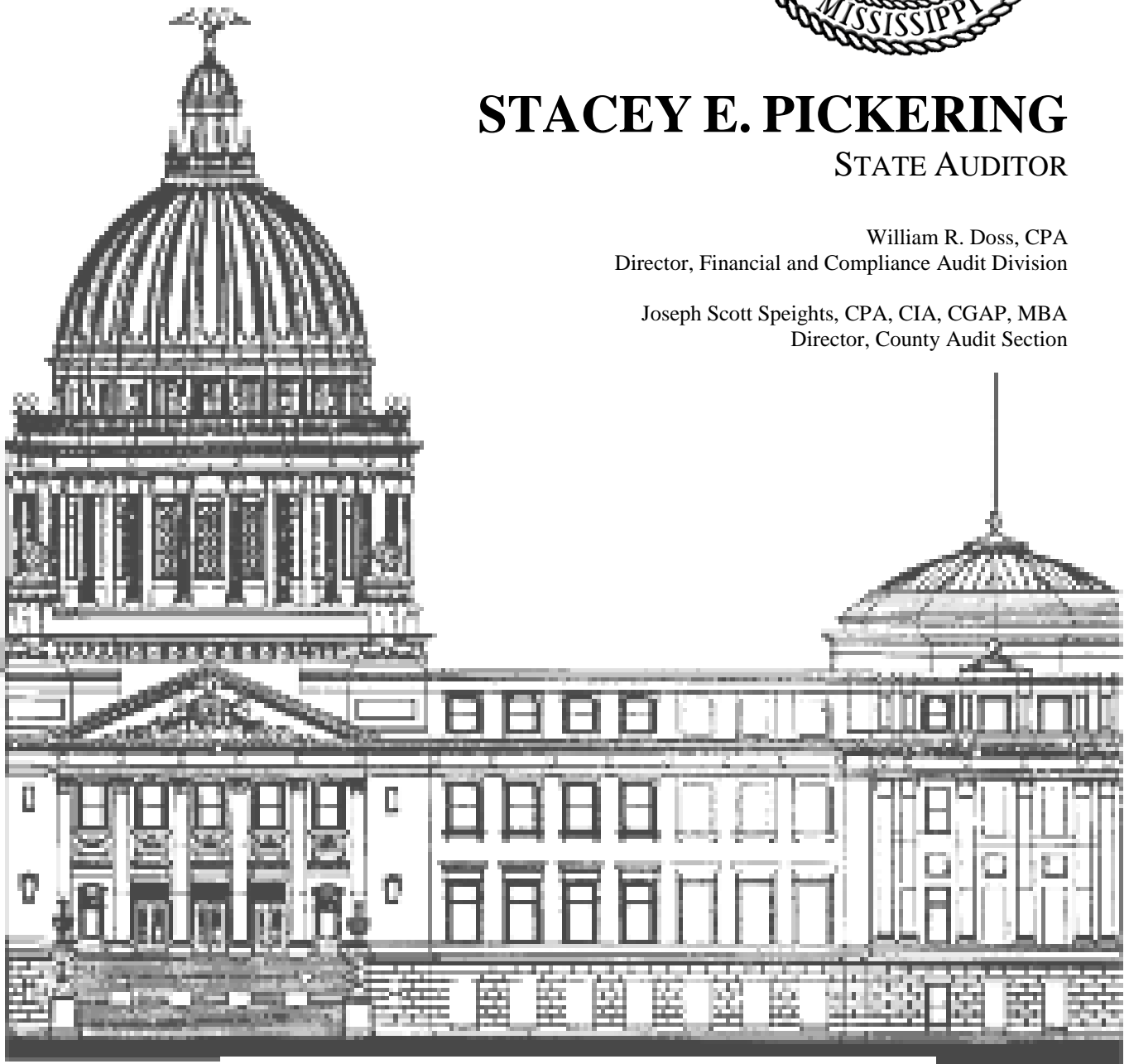


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 22, 2013

Members of the Board of Supervisors
Perry County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Perry County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Perry County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Perry County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

PERRY COUNTY

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PERRY COUNTY

FINANCIAL SECTION

PERRY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Perry County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended, in conformity with the accounting principles generally accepted in the United States of America.

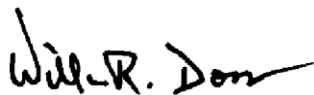
As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of Perry County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Perry County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but its supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 22, 2013

PERRY COUNTY

FINANCIAL STATEMENTS

PERRY COUNTY

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PERRY COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 13,002,811
Property tax receivable	4,537,721
Fines receivable (net of allowance for uncollectibles of \$894,354)	169,929
Deferred charges - bond issuance costs	59,439
Intergovernmental receivables	103,890
Capital assets:	
Land	912,903
Other capital assets, net	24,048,886
Total Assets	<u>42,835,579</u>
LIABILITIES	
Claims payable	574,124
Intergovernmental payables	110,596
Accrued interest payable	80,560
Deferred revenue	4,537,721
Other payables	33,767
Long-term liabilities	
Due within one year:	
Capital debt	573,863
Due in more than one year:	
Capital debt	6,202,825
Non-capital debt	67,485
Total Liabilities	<u>12,180,941</u>
NET ASSETS	
Invested in capital assets, net of related debt	18,185,101
Restricted:	
General government	123,484
Debt service	247,300
Public safety	249,321
Public works	6,353,050
Health and welfare	8
Culture and recreation	376,781
Conservation of natural resources	2,135
Economic development	785,228
Unemployment compensation	146,204
Unrestricted	4,186,026
Total Net Assets	<u>\$ 30,654,638</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,966,436	303,707	0	80,680	(2,582,049)
Public safety	1,890,371	174,135	143,506	244,099	(1,328,631)
Public works	1,973,362		1,533,232	185,114	(255,016)
Health and welfare	224,606		39,390		(185,216)
Culture and recreation	91,235	955	1,875		(88,405)
Education	592,548		617,115		24,567
Conservation of natural resources	38,034	467			(37,567)
Economic development and assistance	37,500				(37,500)
Interest on long-term debt	300,537				(300,537)
Total Governmental Activities	<u>8,114,629</u>	<u>479,264</u>	<u>2,335,118</u>	<u>509,893</u>	<u>(4,790,354)</u>
General revenues:					
Property taxes				\$	4,597,480
Road & bridge privilege taxes					156,950
Grants and contributions not restricted to specific programs					1,133,446
Unrestricted interest income					149,362
Miscellaneous					<u>202,574</u>
Total General Revenues					<u>6,239,812</u>
Changes in Net Assets					1,449,458
Net Assets - Beginning					<u>29,205,180</u>
Net Assets - Ending				\$	<u>30,654,638</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>2010 General Obligation Bridge Bond Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 4,215,976	5,141,270	3,645,565	13,002,811
Property tax receivable	2,168,670		2,369,051	4,537,721
Fines receivable (net of allowance for uncollectibles of \$894,353)	169,929			169,929
Intergovernmental receivables	65,997		37,893	103,890
Due from other funds		7,099	36,144	43,243
Total Assets	<u>\$ 6,620,572</u>	<u>5,148,369</u>	<u>6,088,653</u>	<u>17,857,594</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 70,224	419,930	83,970	574,124
Intergovernmental payables	104,903			104,903
Due to other funds	48,936			48,936
Deferred revenue	2,338,599		2,369,051	4,707,650
Other payables	33,767			33,767
Total Liabilities	<u>2,596,429</u>	<u>419,930</u>	<u>2,453,021</u>	<u>5,469,380</u>
Fund balances:				
Restricted for:				
General government			123,484	123,484
Public safety			249,321	249,321
Public works		4,728,439	1,624,611	6,353,050
Health and welfare			8	8
Culture and recreation			376,781	376,781
Conservation of natural resources			2,135	2,135
Economic development and assistance			785,228	785,228
Debt service			327,860	327,860
Unemployment compensation			146,204	146,204
Unassigned	4,024,143			4,024,143
Total Fund Balances	<u>4,024,143</u>	<u>4,728,439</u>	<u>3,635,632</u>	<u>12,388,214</u>
Total Liabilities and Fund Balances	<u>\$ 6,620,572</u>	<u>5,148,369</u>	<u>6,088,653</u>	<u>17,857,594</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,388,214
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$42,617,645.	24,961,789
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	169,929
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,844,173)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(80,560)
Deferred charges - bond issuance costs	<u>59,439</u>
Total Net Assets - Governmental Activities	\$ <u><u>30,654,638</u></u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2011

	Major Funds			
	General	2010 General Obligation Bridge Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
	Fund			
REVENUES				
Property taxes	\$ 2,342,523	7,099	2,444,991	4,794,613
Road and bridge privilege taxes			156,950	156,950
Licenses, commissions and other revenue	145,979		4,827	150,806
Fines and forfeitures	146,030		16,677	162,707
Intergovernmental revenues	1,661,228		2,317,229	3,978,457
Charges for services	13,750		125,879	139,629
Interest income	46,691		102,671	149,362
Miscellaneous revenues	163,223		39,351	202,574
Total Revenues	4,519,424	7,099	5,208,575	9,735,098
EXPENDITURES				
Current:				
General government	2,765,926		299,866	3,065,792
Public safety	1,521,523		281,716	1,803,239
Public works		1,215,258	4,701,484	5,916,742
Health and welfare	208,230		0	208,230
Culture and recreation			84,671	84,671
Education	592,548			592,548
Conservation of natural resources	38,034			38,034
Economic development and assistance			37,500	37,500
Debt service:				
Principal	18,769		539,408	558,177
Interest	1,480		293,224	294,704
Total Expenditures	5,146,510	1,215,258	6,237,869	12,599,637
Excess of Revenues over (under) Expenditures	(627,086)	(1,208,159)	(1,029,294)	(2,864,539)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			14,400	14,400
Transfers in			9,251	9,251
Transfers out	(1,232)		(8,019)	(9,251)
Total Other Financing Sources and Uses	(1,232)	0	15,632	14,400
Net Changes in Fund Balances	(628,318)	(1,208,159)	(1,013,662)	(2,850,139)
Fund Balances - Beginning	4,652,461	5,936,598	4,649,294	15,238,353
Fund Balances - Ending	\$ 4,024,143	4,728,439	3,635,632	12,388,214

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (2,850,139)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$5,066,388, exceeded depreciation of \$1,096,286 in the current period.	3,970,102
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$21,425 and the proceeds from the sale of \$14,400 in the current period.	(35,825)
Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments.	558,177
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	26,122
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The reduction of prior year deferred receivables	(197,133)
The increase in compensated absences payable	(16,013)
The increase in accrued interest payable	(2,663)
The amortization of bond issuance cost	<u>(3,170)</u>
Change in Net Assets of Governmental Activities	\$ <u>1,449,458</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	18,098
Due from other funds		5,693
Total Assets	\$	<u>23,791</u>
LIABILITIES		
Intergovernmental payables	\$	<u>23,791</u>
Total Liabilities	\$	<u>23,791</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

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PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Perry County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Perry County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

2010 General Obligation Bridge Bond Construction Fund - This fund is used to account for proceeds of general obligation bonds issued for the construction, reconstruction and repairing of roads, highways and bridges located in Perry County, Mississippi.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specified purposes. Special Revenue funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and-payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Perry County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements as required. General infrastructure assets include all roads and bridges and other infrastructure assets.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Government fund balance is classified as restricted or unassigned. The following are descriptions of fund classifications used by the county:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$13,020,909 and the bank balance was \$13,518,597. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
2010 G.O. Bridge Bond Construction	General	\$ 7,099
Other Governmental Funds	General	36,144
Agency Funds	General	5,693
Total		\$ 48,936

The receivables represent the tax revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 1,232
Other Governmental Funds	Other Governmental Funds	8,019
Total		\$ <u>9,251</u>

The principal purpose of interfund transfers was to provide funds for grant matches and to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 61,591
State and community highway safety grant	4,406
Highway planning and construction	37,893
Total Governmental Activities	\$ <u>103,890</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 912,903				912,903
<u>Depreciable capital assets:</u>					
Infrastructure	48,266,171	4,696,035			52,962,206
Buildings	6,877,749				6,877,749
Improvements other than buildings	77,247				77,247
Mobile equipment	4,794,677	259,926	358,248	33,325	4,729,680
Furniture and equipment	578,734	110,427			689,161
Leased property under capital leases	1,363,813			(33,325)	1,330,488
Total depreciable capital assets	<u>61,958,391</u>	<u>5,066,388</u>	<u>358,248</u>	<u>0</u>	<u>66,666,531</u>

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
Less accumulated depreciation for:					
Infrastructure	34,287,690	534,379			34,822,069
Buildings	2,644,425	111,515			2,755,940
Improvements other than buildings	19,090	3,090			22,180
Mobile equipment	4,080,147	210,295	322,423	23,993	3,992,012
Furniture and equipment	400,105	46,677			446,782
Leased property under capital leases	412,325	190,330		(23,993)	578,662
Total accumulated depreciation	<u>41,843,782</u>	<u>1,096,286</u>	<u>322,423</u>	<u>0</u>	<u>42,617,645</u>
Total depreciable capital assets, net	<u>20,114,609</u>	<u>3,970,102</u>	<u>35,825</u>	<u>0</u>	<u>24,048,886</u>
Governmental activities capital assets, net	<u>\$ 21,027,512</u>	<u>3,970,102</u>	<u>35,825</u>	<u>0</u>	<u>24,961,789</u>

* Adjustments reflect the reclassification of paid-off capital leases.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 67,302
Public safety	160,719
Public works	845,325
Health and welfare	16,376
Culture and recreation	<u>6,564</u>
Total governmental activities depreciation expense	<u>\$ 1,096,286</u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,330,488
Less: Accumulated depreciation	<u>578,662</u>
Leased Property Under Capital Leases	<u>\$ 751,826</u>

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2012	\$ 268,863	18,520
2013	316,947	9,973
2014	78,482	2,045
2015	32,396	518
2016	0	0
Total	\$ 696,688	31,056

(9) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail building bonds	\$ 285,000	5.80/6.00%	06-2014
General obligation road & bridge bonds	5,795,000	3.50/4.25%	06-2030
Total General Obligation Bonds	\$ 6,080,000		
B. Capital Leases:			
2008 Crown Victoria	\$ 4,509	3.31%	06-2012
2010 Crown Victoria	14,254	3.10%	01-2014
2010 Crown Victoria	18,664	3.14%	08-2015
2011 International garbage truck	62,734	3.10%	03-2014
Garbage truck	38,918	3.21%	08-2013
4300 International dump body	33,205	3.21%	04-2014
New Holland tractor	15,775	3.07%	04-2014
Kubota tractor	14,943	3.07%	04-2014
2008 Kubota tractor	30,531	3.64%	07-2013
4300 International dump body	32,221	3.21%	04-2014
2010 International dump truck	37,223	3.10%	01-2014
2008 Ford 4300 dump truck	23,301	3.46%	08-2013
Case tractor and boom mower	21,093	3.19%	08-2012
2010 International dump truck	37,223	3.10%	01-2014
2009 IHC dump truck	12,640	3.14%	06-2012
Caterpillar motor grader	41,613	3.21%	07-2013
2008 Kubota tractor	12,744	3.19%	07-2013
Caterpillar motor grader	130,501	3.29%	09-2013
2011 Freightliner dump truck	57,298	3.14%	08-2015
2011 Freightliner dump truck	57,298	3.14%	08-2015
Total Capital Leases	\$ 696,688		

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 305,000	237,406
2013	315,000	222,869
2014	330,000	208,369
2015	240,000	193,169
2016	250,000	184,169
2017-2021	1,395,000	748,170
2022-2026	1,670,000	509,619
2027-2031	<u>1,575,000</u>	<u>160,200</u>
Total	\$ <u>6,080,000</u>	<u>2,463,971</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 5.15% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2011</u>	<u>within one</u>
Governmental Activities:						<u>year</u>
Compensated absences	\$ 51,472	16,013			67,485	
General obligation bonds	6,370,000		290,000		6,080,000	305,000
Capital leases	<u>964,865</u>		<u>268,177</u>		<u>696,688</u>	<u>268,863</u>
Total	\$ <u>7,386,337</u>	<u>16,013</u>	<u>558,177</u>	<u>0</u>	<u>6,844,173</u>	<u>573,863</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund and Road Maintenance Funds.

(10) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(11) No Commitment Debt (Not Included in Financial Statements)

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at September 30, 2011
Industrial revenue bonds	\$ 77,000,000

(12) Joint Ventures.

The county participates in the following joint ventures:

Perry County is a participant with the Counties of Covington, Greene and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth member rotating annually among the counties. By contractual agreement, the county's appropriation to the joint venture was \$82,328 in fiscal year 2011. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

Perry County is a participant with the Counties of Covington and Jones, the Cities of Hattiesburg, Laurel, and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Perry County Board of Supervisors appoints one of the 12 members of the board of directors. The authority is funded by the user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Perry County is a participant with the Town of Richton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Richton-Perry County Airport. The joint venture was created to provide an airport facility available for use by the general public. The five members of the board of directors are appointed as follows: Perry County, two; Town of Richton, two; jointly by Perry County and the Town of Richton, one. Complete financial statements for the Richton-Perry County Airport can be obtained from the City Hall at 208 Front South Street in Richton, Mississippi.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each county and one appointed at large. The counties generally provide no financial support to the organization.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Perry County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance services to the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Perry County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$42,275 for support of the district in fiscal year 2011.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Perry County Board of Supervisors appoints one the nine members of the board of commissioners. The county appropriated \$26,112 for support of the entity in fiscal year 2011.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Perry County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$18,868 for the support of the district in fiscal year 2011.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Perry County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$284,124 for the maintenance and support of the college in fiscal year 2011.

(14) Defined Benefit Pension Plan.

Plan Description. Perry County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$276,141, \$277,866 and \$263,633, respectively, equal to the required contributions for each year.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(15) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Perry County evaluated the activity of the county through March 22, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/22/2011	2.50%	\$	24,523	Capital lease	Tax revenue
10/11/2012	2.27%		37,291	Capital lease	Ad valorem taxes
09/04/2012	2.01%		43,880	Capital lease	Ad valorem taxes
09/04/2012	2.19%		110,990	Capital lease	Ad valorem taxes
08/09/2012	2.24%		22,459	Capital lease	Ad valorem taxes
05/04/2012	2.09%		35,500	Capital lease	Ad valorem taxes
05/04/2012	2.13%		42,500	Capital lease	Ad valorem taxes
05/04/2012	2.09%		35,500	Capital lease	Ad valorem taxes
05/04/2012	2.09%		41,700	Capital lease	Ad valorem taxes
05/04/2012	2.09%		35,500	Capital lease	Ad valorem taxes
12/04/2012	2.09%		205,841	Capital lease	Ad valorem taxes
01/07/2013	2.22%		26,439	Capital lease	Ad valorem taxes
01/15/2013	2.16%		69,950	Capital lease	Ad valorem taxes

PERRY COUNTY

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PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Perry County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,167,749	2,355,893	2,355,893	
Licenses, commissions and other revenue	120,950	143,273	143,273	
Fines and forfeitures	121,000	149,047	149,047	
Intergovernmental revenues	1,004,750	1,758,321	1,758,321	
Charges for services	5,000	13,750	13,750	
Interest income		43,085	43,085	
Miscellaneous revenues	219,633	153,276	153,276	
Total Revenues	<u>3,639,082</u>	<u>4,616,645</u>	<u>4,616,645</u>	
EXPENDITURES				
Current:				
General government	3,394,469	2,776,548	2,776,548	
Public safety	1,336,801	1,503,531	1,503,531	
Public works	1,000			
Health and welfare	211,461	207,055	207,055	
Culture and recreation				
Education	509,000	706,554	706,554	
Conservation of natural resources	49,134	37,915	37,915	
Debt service:				
Principal		18,769	18,769	
Interest		1,480	1,480	
Total Expenditures	<u>5,501,864</u>	<u>5,251,852</u>	<u>5,251,852</u>	
Excess of Revenues over (under) Expenditures	<u>(1,862,782)</u>	<u>(635,207)</u>	<u>(635,207)</u>	
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		784	784	
Transfers in	84,754	97,060	97,060	
Transfers out	(161,231)	(98,292)	(98,292)	
Other financing sources	4,117,913			
Other financing uses	(2,152,348)			
Total Other Financing Sources and Uses	<u>1,889,088</u>	<u>(448)</u>	<u>(448)</u>	
Net Change in Fund Balance	(46,604)	(635,655)	(635,655)	
Fund Balances - Beginning	<u>4,628,991</u>	<u>4,629,141</u>	<u>4,629,141</u>	
Fund Balances -	<u>\$ 4,582,387</u>	<u>3,993,486</u>	<u>3,993,486</u>	

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PERRY COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		<u>Governmental Fund</u> General Fund
Budget (Cash Basis)	\$	(635,655)
Increase (Decrease)		
Net adjustments for revenue accruals		(195,065)
Net adjustments for expenditure accruals		<u>202,402</u>
GAAP Basis	\$	<u><u>(628,318)</u></u>

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PERRY COUNTY

SUPPLEMENTAL INFORMATION

PERRY COUNTY

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PERRY COUNTY

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/ Passed-through the Mississippi Department of Treasury Schools and roads - grants to states*	10.665	N/A	\$ <u>1,193,355</u>
U.S. Department of Commerce - National Telecommunications and Information Administration Passed-through the Mississippi Department of Public Safety - Office of Homeland Security Public safety interoperable communications grant program	11.555	07PS313	<u>200,000</u>
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Home investment partnerships program	14.239	M08-SG-280-254	<u>2,500</u>
U.S. Department of Transportation - Federal Highway Administration Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 074 B	20,400
Highway planning and construction	20.205	EFLH 0056 20 BO	52,880
Highway planning and construction	20.205	EFLH 0056 21 BO	38,475
Highway planning and construction	20.205	EFLH 0056 22 B	9,750
Highway planning and construction	20.205	EFLH 0056 23 BO	26,850
Highway planning and construction	20.205	EFLH 1159 4 B	<u>12,300</u>
Subtotal			<u>160,655</u>
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety Division of Public Safety Planning Highway Safety Cluster Alcohol impaired driving countermeasures incentive grants	20.601	11TA1561	<u>46,671</u>
Total U.S. Department of Transportation			<u>207,326</u>
Total Expenditures of Federal Awards			\$ <u>1,603,181</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - CFDA 10.665 School and roads - grants to states

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$591,970 to subrecipients during the year ended September 30, 2011.

* Denotes major federal award program.

PERRY COUNTY

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PERRY COUNTY

SPECIAL REPORTS

PERRY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Perry County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Perry County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1 and 11-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Perry County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated March 22, 2013, included within this document.

Perry County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Perry County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 22, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Perry County, Mississippi

Compliance

We have audited the compliance of Perry County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2011. Perry County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Perry County, Mississippi's management. Our responsibility is to express an opinion on Perry County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Perry County, Mississippi's compliance with those requirements.

In our opinion, Perry County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-3.

Internal Control Over Compliance

The management of Perry County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Perry County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-3 to be a material weakness.

Perry County's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Perry County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 22, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Perry County, Mississippi

We have examined Perry County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Perry County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Perry County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code section. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Purchase Clerk.

All purchases not made from the lowest bidder should be approved and spread on the official minutes.

1. Finding

Section 31-7-13(d), Miss. Code Ann. (1972), requires that Board of Supervisors, when not accepting the lowest bid, to place documentation on its minutes detailing the reasons behind its decision. The documentation should include detailed calculations and a narrative summary showing the accepted bid was determined to be the best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid. The Board of Supervisors did not document the approval of a purchase not from the lowest bidder purchase on its minutes. The lack of proper approval and documentation could result in unauthorized purchases.

Recommendation

All purchases not made from the lowest bidder should be approved and documented in the Board of Supervisors minutes.

Purchase Clerk's Response

The Purchase Clerk has been reminded that any purchases made from other than the lowest bidder, shall be documented as to the reason and submitted to the Board to be entered into the minutes.

In our opinion, and except for the noncompliance referred to in the preceding paragraph, Perry County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Perry County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Perry County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 22, 2013

PERRY COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
04/15/11	Hot water heater	\$ 19,438.84	M&C Contractors	\$ 15,855.56	No hot water at the jail. Quicker delivery of 2 days rather than 12-15 days.

PERRY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

PERRY COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.

PERRY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Perry County, Mississippi

In planning and performing our audit of the financial statements of Perry County, Mississippi for the year ended September 30, 2011, we considered Perry County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Perry County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 22, 2013, on the financial statements of Perry County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 22, 2013

PERRY COUNTY

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PERRY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRY COUNTY

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PERRY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major program: | |
| a. | Schools and roads – grants to states, CFDA #10.665 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as Discussed in Section____.315(b) of OMB Circular A-133? | Yes |

PERRY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. Internal controls should be strengthened to include adequate segregation of duties for county's general accounting functions.

Finding

An effective system of internal control should include an adequate segregation of duties. The county's accounting system is not adequately segregated to assure a proper internal control structure. Based on test work, we noted the following internal control weaknesses in the county's accounting structure:

- a. The comptroller acts as the assistant purchase clerk, prepares the monthly docket of claims, prints disbursement checks, and is the inventory control clerk.
- b. Receipt warrants are posted to the general ledger by the comptroller, who maintains the general ledger and prepares the monthly bank reconciliation.
- c. The comptroller also prepares the payroll and the monthly bank reconciliations for the payroll account.

These conditions could result in unrecorded transactions, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties with respect to control of the general ledger, processing of payroll, purchasing and inventory accounting functions.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Tax Assessor-Collector

Material Weakness

- 11-2. The Tax Assessor-Collector should establish controls over the settlement of taxes.

Finding

An effective system of internal control over cash includes settling all taxes collected to the proper authorities. As reported in the prior year audit report, we noted that there was an unidentified overage of cash in the Tax Assessor-Collector's bank account, compared to the cash journal, at the fiscal year-end. As of September 30, 2011, the amount of the unidentified overage is \$48,984. Failure to have adequate controls over cash settlements could result in the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should take steps to determine the origin of these unidentified funds. She should settle any funds that cannot be identified to the General Fund of the county. In the future, the Tax Assessor-Collector should ensure that all taxes collected are settled to the proper authorities.

PERRY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Tax Assessor-Collector's Response

See Auditee's Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

- 11 - 3. The County should establish controls to ensure fifty percent of National Forest Distribution Title I Funds are settled to the schools.

10.665 Schools and Roads – Grants to States
Grant number: N/A, U.S. Department of Agriculture – Forest Service/
Passed-through the Mississippi Department of Treasury

Material Weakness

Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding

During fiscal year 2011, Perry County received \$1,234,229 in National Forest Distribution Title I funds, a portion of the Secure Rural Schools Act State payments, which are to be used to benefit public schools and public roads in counties where national forests are located. Upon receipt of these funds, fifty percent of the total received should be settled to the county's public school. The county received a total of (14) National Forest Distribution Title I payments during fiscal year 2011. However, as reported in the prior year's audit, during our audit test procedures, we noted that two of these payments were not properly settled to Perry County Schools. The county's lack of adequate internal controls resulted in an overstatement of county revenues in the amount of \$9,415.

Recommendation

The Perry County Board of Supervisors should take the necessary steps to ensure that fifty percent of the total National Forest Distribution Title I funds received are properly settled to the county's public school.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

PERRY COUNTY

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PERRY COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

PERRY COUNTY

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BOBBY R. BOLTON, District 1

KEVIN SHOWS, District 2

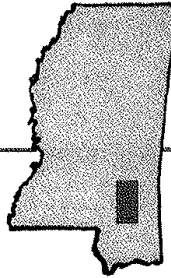
THOMAS W. WALLEY, District 3

MITCHELL HINTON, District 4

LANNY L. MIXON, District 5

PERRY

OFFICE OF
BOARD OF SUPERVISORS
NEW AUGUSTA, MISSISSIPPI 39462



COUNTY

PHONE NO. (601) 964-8370
FAX NO. (601) 964-8265

CORRECTIVE ACTION PLAN

September 12, 2012

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentlemen:

Perry County respectfully submits the following corrective action plan for the year ended September 30, 2011.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

11-1 Corrective Action Planned:

The comptroller only acts as assistant purchase clerk when the purchase clerk is out. State law allows the inventory control clerk to also serve as the assistant purchase clerk. The comptroller does not handle any cash, the chancery clerk receives all monies due to the county and deposits the same, the chancery clerk does all receipts and they are then given to the comptroller. The chancery clerk signs all accounts payable checks and payroll checks. This provides adequate separation and accountability which has been noted and accepted by the audit department in the past. Perry County's funding does not provide for the hiring of extra persons to handle each duty as noted above.

Anticipated Completion Date:

Unknown

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

11-2 Corrective Action Planned:

This account has been closed. The monies have been deposited into the general fund.

Anticipated Completion Date:

January, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

SECTION 3: FEDERAL AWARD FINDINGS

11-3 Corrective Action Planned:

The chancery clerk and the comptroller will both check each receipt and verify that a claim is written at that time to ensure monies due to the school district are properly paid.

Anticipated Completion Date:

October 31, 2012

Name of Contact Person Responsible for Corrective Action:

Natalie Harvison, (601) 964-8370

PERRY COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

PERRY COUNTY

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BOBBY R. BOLTON, District 1

KEVIN SHOWS, District 2

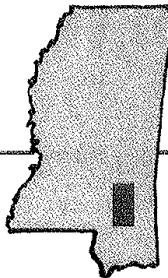
THOMAS W. WALLEY, District 3

MITCHELL HINTON, District 4

LANNY L. MIXON, District 5

PERRY

OFFICE OF
BOARD OF SUPERVISORS
NEW AUGUSTA, MISSISSIPPI 39462



COUNTY

PHONE NO. (601) 964-8370
FAX NO. (601) 964-8265

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2011

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Perry County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

DEPARTMENT OF AGRICULTURE

2010 - FINDING NO. 1: Schools and roads – grants to states, CFDA No. 10.665.

Condition: During our audit testing procedures, we noted that the county received a total of 14 National Forest Distribution Title I payments during fiscal year 2010; however, five of these payments were not properly settled to Perry County Schools.

Recommendation: The Perry County Board of Supervisors should take the necessary steps to ensure that fifty percent of the total National Forest Distribution Title I funds received are properly settled to the county's public school.

Current Status: Corrective action was taken.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2010 - FINDING NO. 2: Home investment partnerships program, CFDA No. 14.239.

Condition: During our audit testing procedures, we noted no evidence in the grant files that control activities were in place to ensure the reconstruction of homes was in compliance with these standards as required. While the construction unit specifications required that all electrical, plumbing, mechanical and carpentry construction be done to Southern Building Code requirements and the contracts referenced these specifications, there were no documents certifying that these units were in compliance with the Southern Building Code.

Recommendation: The Perry County Board of Supervisors should take steps to ensure that the reconstruction of these homes is performed in compliance with the Southern Building Code and certifications should be included in the file.

Current Status: Corrective action was taken.

BOBBY R. BOLTON, District 1

KEVIN SHOWS, District 2

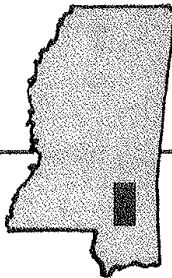
THOMAS W. WALLEY, District 3

MITCHELL HINTON, District 4

LANNY L. MIXON, District 5

PERRY

OFFICE OF
BOARD OF SUPERVISORS
NEW AUGUSTA, MISSISSIPPI 39462



COUNTY

PHONE NO. (601) 964-8370
FAX NO. (601) 964-8265

2010 - FINDING NO. 3: Home investment partnerships program, CFDA No. 14.239.

Condition: As reported in the prior three years' audit reports, management does not have personnel that possess the necessary qualification and training to prepare financial statements in accordance with generally accepted accounting principles.

Recommendation: The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and accompanying notes disclosed in accordance with generally accepted accounting principles.

Current Status: Corrective action was taken.

2010 - FINDING NO. 4: Home investment partnerships program, CFDA No. 14.239.

Condition: During our audit testing procedures, we noted no evidence in the grant files that control activities were in place to ensure that deed restrictions were placed on the homes as required. There was also no evidence of liens or covenants on the land. Three (3) contracts acknowledging the period of affordability were signed by the HOME assistance recipients and included in the file.

Recommendation: The Perry County Board of Supervisors should take steps to ensure that the required deed restrictions, liens, or covenants are filed in order to prevent the transfer of the property during the period of affordability to someone who is not HOME eligible.

Current Status: Corrective action was taken.

2010 - FINDING NO. 5: Home investment partnerships program, CFDA No. 14.239.

Condition: During our audit testing procedures, we noted no evidence that control procedures were in place to ensure that an adequate number of interim inspections were made of the work performed and to ensure that the reconstruction was performed in accordance with the contracts. The only evidence of the interim inspections was invoices for payment; no details were provided as to the quality of work or quality of materials used and percent of completion.

Recommendation: The Perry County Board of Supervisors should take steps to ensure that controls are in place over inspections and acceptance of work performed by requiring two or more interim inspections be performed during the reconstruction of homes and ensuring that the time frame for the completed work is reasonable. The Board of Supervisors should also ensure that the homeowner signs a certificate of completion and application for final payment to indicate their approval of the work performed and their authorization of the final payment to the contractor.

Current Status: Corrective action was taken.

BOBBY R. BOLTON, District 1

KEVIN SHOWS, District 2

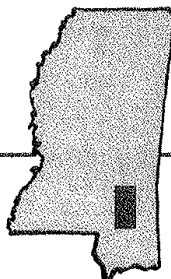
THOMAS W. WALLEY, District 3

MITCHELL HINTON, District 4

LANNY L. MIXON, District 5

PERRY

OFFICE OF
BOARD OF SUPERVISORS
NEW AUGUSTA, MISSISSIPPI 39462



COUNTY

PHONE NO. (601) 964-8370
FAX NO. (601) 964-8265

2010 - FINDING NO. 6: Home investment partnerships program, CFDA No. 14.239.

Condition: During our audit testing procedures, we noted no evidence that control activities were in place to ensure that applicants were ranked and chosen according to priority. Only the applications of those selected for participation in the HOME program and submitted to MDA were included in the file.

Recommendation: The Perry County Board of Supervisors should take steps to ensure that controls are in place to ensure that applicants both applying for and receiving assistance are evaluated and ranked according to priority areas established in the *Perry County Board of Supervisors Home Program Rehabilitation Policies, Procedures and Guidelines* and supporting documentation is retained in the file.

Current Status: Corrective action was taken.

2010 - FINDING NO. 7: Home investment partnerships program, CFDA No. 14.239.

Condition: During our audit testing procedures, we noted no evidence that control activities were in place to ensure that:

- (1) All family members were identified and their income included in determining income eligibility for the HOME program.
- (2) Family surveys had been conducted and all family members residing in the household had been identified and their annual incomes included in determining that income limits were met for the HOME program.
- (3) Units were occupied at least one (1) year prior to the date of application. Title searches were performed to verify ownership of the properties. Only copies of deeds were included in applicant files.

Recommendation: The Perry County Board of Supervisors should take steps to ensure that controls are in place to ensure that only eligible applicants receive HOME program assistance by:

- (1) Ensuring that all family members have been identified and their incomes have been included in determining if the family is income eligible for HOME program assistance. We also recommend that the Perry County Board of Supervisors require applicants to sign documentation stating that all familial information provided, including names, ages, social security numbers, and income, is complete and accurate.
- (2) Ensuring that family surveys have been conducted and all family members residing in the household have been identified and their annual incomes included in determining income limits for HOME program assistance have been met. We also recommend that the Board of Supervisors require applicants to sign a certification that all of the information provided in the survey is complete and accurate.
- (3) Ensuring that applicants have occupied the property at least one (1) year prior to application for HOME program assistance.

Current Status: Corrective action was taken.

BOBBY R. BOLTON, District 1

KEVIN SHOWS, District 2

THOMAS W. WALLEY, District 3

MITCHELL HINTON, District 4

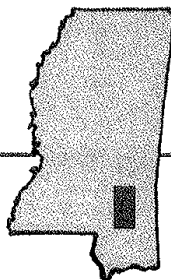
LANNY L. MIXON, District 5

PERRY

COUNTY

OFFICE OF
BOARD OF SUPERVISORS
NEW AUGUSTA, MISSISSIPPI 39462

PHONE NO. (601) 964-8370
FAX NO. (601) 964-8265



2010 - FINDING NO. 8: Home investment partnerships program, CFDA No. 14.239.

Condition: During our audit testing procedures, we noted no evidence that control activities were in place to ensure that bids were solicited for contracts for home rehabilitation. Also, we noted no evidence that control procedures were in place to ensure that the contractors submitted the required information to the grant administrator.

Recommendation: The Perry County Board of Supervisors should take steps to ensure that the homeowner solicits bids for the rehabilitation of their home in order to obtain the lowest and best price possible. The Board of Supervisors should ensure that all bids received are properly documented and tabulated and that any amounts in excess of the lowest bid are paid for by the homeowner. Also, the Perry County Board of Supervisors should take steps to ensure that all contractors solicited submit the required information to the grant administrator and that this information is retained in the grant files. The Board of Supervisors should also ensure that only contractors with valid Mississippi contractor's licenses are allowed to enter into contracts with homeowners for the rehabilitation of their homes and that payments made from HOME funds are to licensed contractors only.

Current Status: Corrective action was taken.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Bobby Bolton", is written over a horizontal line.

Mr. Bobby Bolton
President, Perry County Board of Supervisors
(601) 964-8370